

1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Mortgage Banker License of: No. 07F-BD011-BNK

3 **FREESTAND FINANCIAL HOLDING**
4 **CORPORATION AND JESSE A. GEE,**
5 **PRESIDENT**

3200 North Central Avenue, Suite 2450
Phoenix, AZ 85012

CONSENT ORDER

Petitioners.

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7
8 On August 18, 2006, the Arizona Department of Financial Institutions ("Department") issued
9 a Notice of Hearing alleging that Petitioners had violated Arizona law. Wishing to resolve this
10 matter in lieu of an administrative hearing, and without admitting or denying liability, Petitioners do
11 not contest the following Findings of Fact and Conclusions of Law, and consent to the entry of the
12 following Order.

13 **FINDINGS OF FACT**

14 1. Petitioner Freestand Financial Holding Corporation (hereinafter "Freestand") is an Arizona
15 corporation authorized to transact business in Arizona as a mortgage banker, license number
16 BK 0905940, within the meaning of A.R.S. §§ 6-941, *et seq.* The nature of Freestand's business is
17 that of making, negotiating, or offering to make or negotiate a mortgage banking loan or a mortgage
18 loan secured by Arizona real property within the meaning of A.R.S. § 6-941(5).

19 2. Petitioner Jesse A. Gee ("Mr. Gee") is the President of Freestand and is authorized to transact
20 business in Arizona as mortgage banker within the meaning of A.R.S. § 6-941(5), as outlined within
21 A.R.S. § 6-943(F).

22 3. Freestand and Mr. Gee are not exempt from licensure as mortgage bankers within the
23 meaning of A.R.S. §§ 6-942 and 6-941(5).

24 4. A February 22, 2006 examination of Freestand, conducted by the Department, revealed that
25 Freestand and Mr. Gee:

26 ...

- 1 a. Failed to prominently display a valid mortgage banking branch office license in each
2 office where it conducts business, specifically:
- 3 i. 6333 North Scottsdale Road, #12, Scottsdale, AZ 85250;
- 4 b. Engaged in unlicensed activity by making, negotiating, or offering to make or
5 negotiate at least fifteen (15) mortgage loans at a branch office before first obtaining a
6 branch office license from the Superintendent, specifically:
- 7 i. 6333 North Scottsdale Road, #12, Scottsdale, AZ 85250; and
8 ii. Around September 27, 2005, the Department received a fax of an altered
9 Department mortgage banker license. The license was altered with a typed
10 label that included the address of 550 W. Ina Road, Suite 201, Tucson, AZ
11 placed over the original issued branch address, which was 6700 N. Oracle
12 Road, Suite 410, Tucson, AZ. Petitioners filed no change of address with the
13 Department;
- 14 1. The licenses' altered address was submitted to at least four (4)
15 additional lenders: WMC, BNC, GMAC, and Chase;
- 16 c. Failed to ensure that the responsible individual maintained a position of active
17 management and failed to ensure that the responsible individual was knowledgeable
18 about Arizona activities, specifically, Petitioners' responsible individual:
- 19 i. Failed to direct Petitioners' activities in compliance with A.R.S. Title 6,
20 Chapter 9 as evidenced by the multiple violations of twenty nine (29) statutes
21 and rules cited in the examination report and the failure to correct past
22 violations;
- 23 ii. Failed to assist Department examiners with their questions or requests;
24 iii. Failed to attend the exit meeting; and
25 iv. Failed to approve advertisements compliantly as indicated in the branch
26 managers' agreement;

- 1 d. Failed to use their proper name and license number and failed to include the required
2 disclosures within regulated advertising in at least ten (10) advertisements and/or
3 solicitations;
- 4 e. Solicited and transacted business using an unlicensed name, specifically:
- 5 i. Petitioners failed to review all advertisements and website domain names to
6 ensure compliance;
- 7 f. Failed to conduct the minimum elements of reasonable employee investigations
8 before hiring employees, specifically:
- 9 i. Failed to collect and review all of the documents authorized by the
10 Immigration and Control Act of 1986 for five (5) employees;
- 11 ii. Failed to obtain a completed and dated "I9" (Employment Eligibility
12 Verification Form) for seventeen (17) employees;
- 13 iii. Failed to consult with the applicant's most recent or next most recent
14 employer or failed to date said inquiry for sixty five (65) employees;
- 15 iv. Failed to inquire regarding an applicant's qualifications and
16 competence or failed to date said inquiry for the position for sixty two
17 (62) employees;
- 18 v. Failed to obtain a signed statement attesting to all of an applicant's
19 felony convictions, including detailed information regarding each
20 conviction before hiring twenty two (22) employees;
- 21 vi. Failed to obtain a credit report for nineteen (19) employees;
- 22 vii. Failed to obtain a completed and signed employment application
23 before hiring four (4) employees;
- 24 viii. Failed to conduct further investigation of six (6) employees with
25 derogatory credit reports; and
- 26 ix. Petitioners failed to correct these violations from their last two

1 examinations;

2 g. Failed to notify the Superintendent about an address change before it occurred;

3 i. Around September 27, 2005, the Department received a fax of an altered
4 Department mortgage banker license. The license was altered with a typed
5 label that included the address of 550 W. Ina Road, Suite 201, Tucson, AZ
6 placed over the original issued branch address, which was 6700 N. Oracle
7 Road, Suite 410, Tucson, AZ. Petitioners filed no change of address with the
8 Department;

9 h. Failed to obtain a branch office license from the Superintendent, specifically:

10 i. Petitioners advertised, originated, negotiated, and/or submitted loans to
11 wholesale lenders for profit from 6333 North Scottsdale Road, #12,
12 Scottsdale, AZ 85250, which is an unlicensed branch;

13 i. Maintained records at an unlicensed location, 6333 North Scottsdale Road, #12,
14 Scottsdale, AZ 85250;

15 j. Failed to maintain correct and complete records, specifically:

16 i. Petitioners did not provide samples of all requested advertisements;

17 k. Failed to maintain originals or copies of loan transactions, specifically:

18 i. Petitioners failed to maintain customer agreements in the loan file in nine (9)
19 mortgage loan transactions;

20 ii. Petitioners failed to maintain documents of final disposition in four (4)
21 mortgage loan transactions; and

22 iii. Petitioners failed to maintain a certified copy of the final HUD-1 in one (1)
23 mortgage loan transaction;

24 l. Failed to use a written fee agreement in at least six (6) mortgage loan transactions;

25 m. Misused and disbursed trust funds in excess of funds collected for advances and fees,
26 specifically:

- 1 i. Petitioners' trust account is assessed bank fees and charges monthly totaling
2 \$68.55. Petitioners have not reimbursed these fees, which results in a trust
3 account shortage. There are no advance fee agreements for these funds and no
4 written instructions on how said monies are to be disbursed. The account
5 balances were never reconciled to the borrower's subsidiary ledger, nor were
6 the funds monitored or accounted for. The account contained both borrowers'
7 monies and Petitioners' monies. Funds were disbursed from the account
8 before any monies obtained from the borrower were deposited in the account;
- 9 n. Commingled trust funds, specifically:
- 10 i. Petitioners accepted advance appraisal fees and other advance third party fees
11 and deposited said monies into their operating account, which resulted in the
12 commingling of monies held for the benefit of borrowers with Petitioners'
13 monies;
- 14 o. Failed to comply with the disclosure requirements of Title I of the Consumer Credit
15 Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement
16 Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated
17 under these acts, specifically:
- 18 i. Yield spread premiums were not disclosed within good faith estimates to eight
19 (8) borrowers;
- 20 ii. A preliminary good faith estimate was not issued or was defective when
21 issued to five (5) borrowers;
- 22 iii. Servicing transfer disclosures were defective or not issued to thirteen (13)
23 borrowers;
- 24 iv. A preliminary truth in lending disclosure was not issued to four (4) borrower;
- 25 v. A final truth in lending disclosure was not issued to three (3) borrowers;
- 26 vi. An affiliated business arrangement was not disclosed to one (1) borrower; and

- 1 vii. Petitioners failed to correct these violations for their last exam;
- 2 p. Allowed borrowers to sign regulated documents containing blank spaces, specifically:
- 3 i. Five (5) preliminary truth in lending disclosures were signed in blank;
- 4 ii. Four (4) affiliated business disclosures were signed in blank;
- 5 iii. Seven (7) good faith estimates were signed in blank;
- 6 iv. Seven (7) servicing disclosure statements were signed in blank;
- 7 v. Two (2) anti-coercion statements were signed in blank;
- 8 vi. One (1) privacy policy disclosure was signed in blank;
- 9 vii. One (1) loan application was signed in blank;
- 10 viii. Nine (9) authorization to complete blank spaces disclosure did not
- 11 specifically identify the blank spaces to be completed or were
- 12 defective;
- 13 ix. One (1) RESPA servicing disclosure was signed in blank;
- 14 x. Seven (7) requests for transcript of tax return Form 4506-T were signed
- 15 in blank;
- 16 xi. Four (4) rate lock and fee agreements were signed in blank;
- 17 xii. Two (2) applicant's right to receive an appraisal copy were signed in
- 18 blank;
- 19 xiii. One (1) borrower's certification and authorization form was signed in
- 20 blank;
- 21 xiv. One (1) flood disaster protection act disclosure was signed in blank;
- 22 and
- 23 xv. One (1) credit score information disclosure was signed in blank;
- 24 q. Contracted with or paid compensation to unlicensed, independent contractors,
- 25 specifically:
- 26 i. Petitioners paid Salina Rasmussen \$2,200.00 as a 1099 independent contractor

- 1 for processing loans in 2005;
- 2 ii. Petitioners paid James Fricke \$5,678.00 as a 1099 independent contractor to
- 3 underwrite loans in 2005; and
- 4 iii. An employee coaching form, dated August 8, 2005 and found in Ann
- 5 Mountz's employee file, revealed that the branch manager paid an employee
- 6 "under the table";
- 7 r. Made a false promise or misrepresentation or concealed an essential or material fact
- 8 in the course of the mortgage banker business, specifically:
- 9 i. Two of Petitioners' former employees, Francisco J. Gamez and Trinidad
- 10 Marquez, were terminated for allegedly engaging in loan fraud as a result of
- 11 reports and investigations maintained by the Mortgage Asset Research
- 12 Institute, Inc.; and
- 13 ii. Both employees were allegedly able to submit and obtain approval on
- 14 mortgage loans;
- 15 s. Failed to account for borrower or applicant monies, specifically:
- 16 i. Petitioners' inadequate accounting of its trust bank account and of its trust
- 17 bank account subsidiary ledger in indicative of failing to account for
- 18 borrowers' monies;
- 19 ii. Petitioner commingled funds; and
- 20 iii. Said funds did not contain the appropriate general ledger or subsidiary ledger
- 21 descriptions both in the Petitioners' operating or trust bank accounts. Some
- 22 funds were disbursed before the actual receipts and deposits occurred;
- 23 t. Failed to disburse monies in accordance with agreements, specifically:
- 24 i. Petitioners do not have a statutorily compliant written advance fee agreement;
- 25 and
- 26 ii. Petitioners disbursed fees from their trust account in which there is no

- 1 supporting documentation in the loan files authorizing these disbursements;
- 2 u. Failed to maintain a complete listing of checks, specifically:
- 3 i. Petitioners are missing the "payment's purpose," including identification of a
- 4 related loan, if any, from its record of checks written for both the operating
- 5 account and trust account;
- 6 v. Failed to maintain their trust subsidiary ledger and failed to maintain the proper fields
- 7 in their subsidiary journal;
- 8 w. Failed to maintain every advertising sample for Arizona business;
- 9 x. Failed to update and reconcile records for having more than ten (10) transactions in a
- 10 calendar quarter, specifically:
- 11 i. Petitioners failed to verify each trust balance to each trust subsidiary ledger at
- 12 each reconciliation;
- 13 y. Failed to immediately deposit trust funds in a trust account, specifically:
- 14 i. Petitioners failed to maintain accurate records or documentation of exactly
- 15 when advances or fees were collected from borrowers; therefore, no records
- 16 show that collected advances were immediately deposited into a trust account;
- 17 z. Failed to use proper appraisal disclosures, specifically:
- 18 i. Used unlawful appraisal disclosures that limit a borrower to 90 days in which
- 19 the borrower may request a copy of an appraisal for which the borrower has
- 20 paid; and
- 21 ii. Failed to correct this violation from their last examination;
- 22 aa. Used an inappropriate California disclosure not applicable to loans secured by
- 23 Arizona real property;
- 24 i. Failed to correct this violation from their last examination;
- 25 bb. Failed to disclose to borrowers the nature of their administration fee;
- 26 i. Administration is not a service provided in mortgage loan origination; and

- 1 ii. Failed to correct this violation from their last examination;
- 2 cc. Transferred or assigned their mortgage banker license, specifically:
- 3 i. Petitioners actively advertise improper "net branch" opportunities;
- 4 ii. Branch managers are required to negotiate and obtain leases and/or other
- 5 equipment in their own name for the following: office space leases,
- 6 telephones, fax machines, copiers, office equipment, furniture, fixtures,
- 7 computers, and office supplies;
- 8 iii. Branch managers are required to pay for their office licenses and for
- 9 application fees, parking, and medical benefits for any employees hired at
- 10 their branch office;
- 11 iv. Branch managers are responsible for paying advertising and all other branch
- 12 related expenses;
- 13 v. Certain branch managers are required to pay monthly fees for office rental;
- 14 vi. Branch managers are required to obtain a branch license upon hiring any other
- 15 employees or processing their own loans;
- 16 vii. Petitioners utilize a "Branch Manager General Employment Agreement,"
- 17 which requires branch managers to pay for medical benefits and lease space
- 18 through deduction from the branch account as a branch operating expense, if
- 19 necessary;
- 20 viii. Petitioners retain \$595.00 as "Company Fees" upon each loan funding and
- 21 branch managers may be required to pay the fee, if necessary;
- 22 ix. Employees are required to deposit a minimum of two weeks gross wages plus
- 23 employer taxes into their account for any employee they intend to hire;
- 24 x. Potential employees must submit with their application a \$150.00 application
- 25 fee; and
- 26 xi. Petitioners are not responsible for all expenses and liabilities.

5. Based upon the above findings, the Department issued and served upon Freestand and Mr. Gee, an Order to Cease and Desist; Notice of Opportunity For Hearing; Consent to Entry of Order ("Cease and Desist Order") on June 30, 2006.

6. On July 28, 2006, Petitioners filed a Request For Hearing to appeal the Cease and Desist Order.

7. The Department has found no evidence that Petitioners' violations were willful or intentional.

8. Petitioners have voluntarily agreed to take corrective action and have attempted to comply with the Department's requests. However, such finding does not waive any provisions of this Consent Order.

CONCLUSIONS OF LAW

1. Pursuant to A.R.S. §§ 6-941, *et seq.*, the Superintendent has the authority and duty to regulate all persons engaged in the mortgage banker business and with the enforcement of statutes, rules, and regulations relating to mortgage bankers.

2. By the conduct set forth in the Findings of Fact, Freestand Financial Holding Corporation and Mr. Gee violated the following:

- a. A.R.S. § 6-944(C) and A.A.C. R20-4-1805 by failing to prominently display a valid mortgage banking branch office license in each office where it conducts business;
- b. A.R.S. § 6-943(A) by engaging in unlicensed activity by making, negotiating, or offering to make or negotiate mortgage loans at a branch office before first obtaining a branch office license from the Superintendent;
- c. A.R.S. § 6-943(F) and A.A.C. R20-4-102 by failing to ensure that the responsible individual maintains a position of active management and failing to ensure that the responsible individual is knowledgeable about Arizona activities;
- d. A.R.S. § 6-943(N) and A.R.S. § 6-946(E) by failing to use their proper name and license number and failing to include the required disclosures within regulated

1 advertising;

2 e. A.R.S. § 6-943(N) by solicited and transacting business using an unlicensed name;

3 f. A.R.S. § 6-943(O) and A.A.C. R20-4-102 by failing to conduct the minimum
4 elements of reasonable employee investigations before hiring employees;

5 g. A.R.S. § 6-944(D) by failing to notify the Superintendent about an address change
6 before it occurred;

7 h. A.R.S. § 6-944(D) by failing to obtain a branch office license from the
8 Superintendent;

9 i. A.R.S. § 6-946(A) by maintaining records at an unlicensed location;

10 j. A.R.S. § 6-946(A) and A.A.C. R20-4-1806(B) by failing to maintain correct and
11 complete records;

12 k. A.R.S. § 6-946(A) and A.A.C. R20-4-1806(B)(6) by failing to maintain originals or
13 copies of loan transactions;

14 l. A.R.S. § 6-946(C) by failing to use a written fee agreement involving mortgage loan
15 transactions;

16 m. A.R.S. § 6-946(C) by misusing and disbursing trust funds in excess of funds collected
17 for advances and fees;

18 n. A.R.S. § 6-946(C) and A.R.S. § 6-947(C) by commingling trust funds;

19 o. A.R.S. § 6-946(E) and A.A.C. R20-4-1806(B)(6)(e) by failing to comply with the
20 disclosure requirements of Title I of the Consumer Credit Protection Act (15 U.S.C.
21 §§ 1601 through 1666j), the Real Estate Settlement Procedures Act (12 U.S.C. §§
22 2601 through 2617), and the regulations promulgated under these acts;

23 p. A.R.S. § 6-947(A) and A.A.C. R20-4-1808 by allowing borrowers to sign regulated
24 documents containing blank spaces;

25 q. A.R.S. § 6-947(B) and A.A.C. R20-4-102 by contracting with or paying
26 compensation to unlicensed, independent contractors;

- 1 r. A.R.S. § 6-947(L) by making a false promise or misrepresentation or concealing an
2 essential or material fact in the course of the mortgage banker business;
- 3 s. A.R.S. § 6-947(M) by failing to account for borrower or applicant monies;
- 4 t. A.R.S. § 6-947(M) by failing to disburse monies in accordance with agreements;
- 5 u. A.A.C. R20-4-1806(B)(3) by failing to maintain a complete listing of checks;
- 6 v. A.A.C. R20-4-1806(B)(5) and A.A.C. R20-4-1806(C) by failing to maintain their
7 trust subsidiary ledger and failing to maintain the proper fields in their subsidiary
8 journal;
- 9 w. A.A.C. R20-4-1806(B)(7) by failing to maintain every advertising sample for Arizona
10 business;
- 11 x. A.A.C. R20-4-1806(C) by failing to update and reconcile records for having more
12 than ten (10) transactions in a calendar quarter; failing to reconcile each trust bank
13 account; and failing to verify each trust balance to each subsidiary ledger at each
14 reconciliation;
- 15 y. A.R.S. § 6-946(C) by failing to immediately deposit trust funds in a trust account;
- 16 z. A.R.S. § 6-946(C) by failing to use proper appraisal disclosures;
- 17 aa. A.R.S. § 6-947(L) by using an inappropriate California disclosure not applicable to
18 loans secured by Arizona real property;
- 19 bb. A.R.S. § 6-947(L) by failing to disclose to borrowers the nature of their
20 administration fee; and
- 21 cc. A.R.S. § 6-944(A) by transferring or assigning their license.

22 3. The violations, set forth above, constitute grounds for: (1) the issuance of an order pursuant
23 to A.R.S. § 6-137 directing Petitioners to cease and desist from the violative conduct and to take the
24 appropriate affirmative actions, within a reasonable period of time prescribed by the Superintendent,
25 to correct the conditions resulting from the unlawful acts, practices, and transactions; (2) the
26 imposition of a civil monetary penalty pursuant to A.R.S. § 6-132; (3) the suspension or revocation

1 of Petitioners' license pursuant to A.R.S. § 6-945; and (4) an order or any other remedy necessary or
2 proper for the enforcement of statutes and rules regulating mortgage bankers pursuant to A.R.S. §§
3 6-123 and 6-131.

4 **ORDER**

5 1. Freestand Financial Holding Corporation and Mr. Gee shall immediately stop the violations
6 set forth in the Findings of Fact and Conclusions of Law. Freestand Financial Holding Corporation
7 and Mr. Gee:

- 8 a. Shall prominently display a valid mortgage banking branch office license in each
9 office where it conducts business;
- 10 b. Shall not engage in unlicensed activity by making, negotiating, or offering to make or
11 negotiate mortgage loans at a branch office before first obtaining a branch office
12 license from the Superintendent;
- 13 c. Shall ensure that the responsible individual maintains a position of active
14 management and shall ensure that the responsible individual is knowledgeable about
15 Arizona activities;
- 16 d. Shall use their proper name and license number and failing to include the required
17 disclosures within regulated advertising;
- 18 e. Shall not solicit and transact business using an unlicensed name;
- 19 f. Shall conduct the minimum elements of reasonable employee investigations before
20 hiring employees;
- 21 g. Shall notify the Superintendent about an address change before it occurs;
- 22 h. Shall obtain proper branch office licenses from the Superintendent;
- 23 i. Shall not maintain records at an unlicensed location;
- 24 j. Shall maintain correct and complete records;
- 25 k. Shall maintain originals or copies of loan transactions;
- 26 l. Shall use a written fee agreement involving mortgage loan transactions;

- 1 m. Shall not misuse and disburse trust funds in excess of funds collected for advances
- 2 and fees;
- 3 n. Shall not commingle trust funds;
- 4 o. Shall comply with the disclosure requirements of Title I of the Consumer Credit
- 5 Protection Act (15 U.S.C. §§ 1601 through 1666j), the Real Estate Settlement
- 6 Procedures Act (12 U.S.C. §§ 2601 through 2617), and the regulations promulgated
- 7 under these acts;
- 8 p. Shall not allow borrowers to sign regulated documents containing blank spaces;
- 9 q. Shall not contract with or pay compensation to unlicensed, independent contractors;
- 10 r. Shall not make a false promise or misrepresentation or conceal an essential or
- 11 material fact in the course of the mortgage banker business;
- 12 s. Shall account for borrower or applicant monies;
- 13 t. Shall disburse monies in accordance with agreements;
- 14 u. Shall maintain a complete listing of checks;
- 15 v. Shall maintain their trust subsidiary ledger and shall maintain the proper fields in
- 16 their subsidiary journal;
- 17 w. Shall maintain every advertising sample for Arizona business;
- 18 x. shall update and reconcile records for having more than ten (10) transactions in a
- 19 calendar quarter; shall reconcile each trust bank account; and shall verify each trust
- 20 balance to each subsidiary ledger at each reconciliation;
- 21 y. Shall immediately deposit trust funds in a trust account;
- 22 z. Shall use proper appraisal disclosures;
- 23 aa. Shall not use an inappropriate California disclosure not applicable to loans secured by
- 24 Arizona real property;
- 25 bb. Shall disclose to borrowers the nature of their administration fee; and
- 26 cc. Shall not transfer or assign their license.

1 2. Freestand Financial Holding Corporation and Mr. Gee shall immediately pay to the
2 Department a civil money penalty in the amount of **one hundred thousand dollars (\$100,000.00)**.
3 Freestand Financial Holding Corporation and Mr. Gee are jointly and severally liable for payment of
4 the civil money penalty which shall be paid according to the following schedule:

- 5 a. Twenty Five Thousand Dollars (\$25,000.00) due upon execution of this Order.
6 b. Twenty Five Thousand Dollars (\$25,000.00) due on or before November 30, 2006.
7 c. Twenty Five Thousand Dollars (\$25,000.00) due on or before December 31, 2006.
8 d. Twenty Five Thousand Dollars (\$25,000.00) due on or before January 31, 2007.

9 3. Freestand's Compliance Officer and Responsible Individual shall attend accredited classes
10 through the Arizona Mortgage Lenders Association or the Mortgage Bankers Association for ten
11 (10) hours each of training regarding Compliance, RESPA and Truth-in-Lending. The training must
12 be completed within six (6) months of the entry of this Order, and proof of the completion of the
13 training must be provided to the Department.

14 4. The provisions of this Order shall be binding upon Petitioners, their employees, agents, and
15 other persons participating in the conduct of the affairs of Petitioners.

16 5. This Order shall become effective upon service, and shall remain effective and enforceable
17 until such time as, and except to the extent that, it shall be stayed, modified, terminated, or set aside.

18 SO ORDERED this 13th day of November, 2006.

19
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21 Felecia A. Rotellini
22 Superintendent of Financial Institutions

23 **CONSENT TO ENTRY OF ORDER**

24 1. Petitioners acknowledge that they have been served with a copy of the foregoing Findings of
25 Fact, Conclusions of Law, and Order in the above-referenced matter, have read the same, are aware
26 of their right to an administrative hearing in this matter, and have waived the same.

2. Petitioners admit the jurisdiction of the Superintendent and consent to the entry of the foregoing Findings of Fact, Conclusions of Law, and Order.

3. Petitioners state that no promise of any kind or nature has been made to induce them to consent to the entry of this Order, and that they have done so voluntarily.

4. Petitioners agree to cease from engaging in the violative conduct set forth above in the Findings of Fact and Conclusions of Law.

5. Petitioners acknowledge that the acceptance of this Agreement by the Superintendent is solely to settle this matter and does not preclude this Department, any other agency or officer of this state or subdivision thereof from instituting other proceedings as may be appropriate now or in the future.

6. Jesse Gee, on behalf of Freestand Financial Holding Corporation and himself, represents that he is the President, and that, as such, has been authorized by Freestand Financial Holding Corporation to consent to the entry of this Order on its behalf.

7. Petitioners waive all rights to seek judicial review or otherwise to challenge or contest the validity of this Cease and Desist Order.

DATED this 26th day of October, 2006.

By: Jesse A. Gee, President
Freestand Financial Holding Corporation

ORIGINAL of the foregoing filed this 13th
day of November, 2006, in the office of:

Felecia A. Rotellini
Superintendent of Financial Institutions
Arizona Department of Financial Institutions
ATTN: June Beckwith
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

1 COPY mailed same date to:

2 Allen Reed, Administrative Law Judge
3 Office of the Administrative Hearings
4 1400 West Washington, Suite 101
Phoenix, AZ 85007

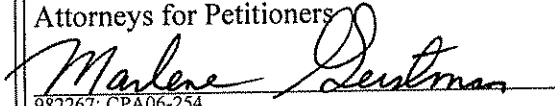
5 Craig A. Raby, Assistant Attorney General
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7 1275 West Washington
Phoenix, AZ 85007

8 Robert D. Charlton, Assistant Superintendent
9 Judy Moss, Senior Examiner
10 Arizona Department of Financial Institutions
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Phoenix, AZ 85018

11 AND COPY MAILED SAME DATE by
12 Certified Mail, Return Receipt Requested, to:

13 Jesse A. Gee, President
14 Freestand Financial Holding Corporation
3200 North Central Avenue, Suite 2450
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